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Determinants of Earnings Management in Public Manufacturing Firms During Covid-19

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Abstrak. *Penelitian ini bertujuan menganalisis faktor Penentu Penerapan Manajemen Laba Pada Perusahaan Manufaktur Go Public Selama Pandemi Covid-19. Metode penelitian ini adalah kuantitatif. Populasi dalam penelitian ini menggunakan perusahaan manufaktur sub sector food and beverage yang terdaftar di Bursa Efek Indonesia pada periode 2019-2022. Teknik yang digunakan dalam penelitian ini adalah purposive sampling. Metode analisis yang dapat diterapkan pada penelitian ini adalah metode analisis regresi berganda. Hasil penelitian ini menunjukkan bahwa ukuran perusahaan berpengaruh terhadap manajemen laba. Kepemilikan manajerial tidak berpengaruh terhadap manajemen laba. Leverage tidak berpengaruh terhadap manajemen laba. Profitabilitas tidak berpengaruh terhadap manajemen laba. Kinerja keuangan tidak berpengaruh terhadap manajemen laba. Penelitian ini memberikan wawasan bagi perusahaan untuk mempertimbangkan faktor-faktor dalam mengelola laporan keuangan agar tetap transparan dan terpercaya, terutama di masa pandemi COVID-19.*

Kata kunci: *Manajemen Laba; Profitabilitas Ukuran Perusahaan.*

Abstract. *This study aims to analyze the determinants of Earnings Management Implementation in Go Public Manufacturing Companies during the Covid-19 Pandemic. This research method is quantitative. The population in this study used manufacturing companies going public in the food and beverage sub-sector listed on the Indonesia Stock Exchange in the 2019-2022 period. The technique used in this research is purposive sampling. The analysis method that can be applied to this research is the multiple regression analysis method. The results of this study show that company size affects earnings management. Managerial ownership does not affect earnings management. Leverage does not affect earnings management. Profitability has no impact on earnings management. Financial performance does not affect earnings management. This research could provide insights for companies to consider various factors in managing their financial statements, ensuring that they remain transparent and trustworthy to stakeholders, especially in challenging times such as the COVID-19 pandemic.*

Keywords: *Earnings Management; Profitability; Company Size.*

Introduction

The Covid-19 pandemic had a very significant impact on the global economy, especially in Indonesia. Many companies are pressured to maintain financial performance despite unstable economic conditions (Evan & Ratmono, 2023). This causes the company's operational activities not to run properly. The impact on the company's profit target is not achieved, resulting in increased earnings management practices that maintain a positive image in the eyes of stakeholders, especially investors and creditors (Kurniawan & Hidayati, 2024). In financial statements, profit is crucial information that can be used to examine the results of managerial work. In addition, information about profit can benefit holders or other parties in assessing the company's ability to earn profits in the future (Kania, 2020). Earnings management is a practice carried out by managers to manipulate financial statements to achieve certain goals, such as meeting stakeholder expectations or maintaining a positive image of the company (Kristiana & Rita, 2021). While this practice may provide short-term benefits, such as increasing stock prices or maintaining good relations with creditors, earnings management often raises ethical concerns (Fahlevi *et al*., 2023). According to Dhole *et al*. (2021), financial statement manipulation can mislead investors, undermining company and market confidence.

In addition, during a pandemic, where many companies experience a decline in sales and revenue, the pressure to maintain a stable profit figure is greater, so the risk of earnings manipulation increases (Syafaqoh & Rochmatullah, 2024). In addition, the global crisis caused by the pandemic has forced many companies to be more aggressive in their financial strategies, including using higher leverage and restructuring debt, which can affect reported earnings performance (Winarsih *et al*., 2023). Earnings management is a strategy or action implemented by the company's management team to manipulate financial statements to provide a good image of the company's actual performance (Arfandi & Sumantri, 2022). Panjaitan and Muslih (2019) state that an earnings management event occurred in Indonesia in 2015. The company's event began when the Indonesia Stock Exchange recognized signs of earnings manipulation. This can be seen when the published financial statements are less accurate and contain various errors. The most important errors are in revenue, cash transactions with employees, net income per share, fixed assets, and debt to third parties and related parties. The Indonesia Stock Exchange also considered modifying the value of cash transactions to employees, where the financial statements did not show any changed information. In the third quarter of 2014, cash paid to employees previously valued at Rp1.9 trillion experienced a significant change to Rp59 billion. This manipulation can be done in various ways, which include manipulating accruals or real activities, such as setting the timing of transactions to affect reported income or costs (Siringoringo & Sijabatb, 2023). Another issue about earnings management is the difference in regulation and supervision in various countries and industry sectors. On the one hand, some countries have strict rules to prevent fraudulent practices in financial statements. However, companies often exploit loopholes in these regulations to manipulate earnings (Susanti & Margareta, 2019). This challenges stakeholders, including investors and regulators, to ensure transparency and accountability in financial reports.

Therefore, several factors affect earnings management practices in a company, including company size, managerial ownership, leverage, profitability, and economic performance. This study aims to analyze the factors that influence the initiation of earnings management in manufacturing companies going public in 2019-2022. Research that discusses earnings management has often been conducted. However, research results are not consistent because the factors that influence earnings management in the context of the COVID-19 pandemic vary. Research studies by Joe & Ginting (2022) and Minarti & Syahzuni (2022) found that company size and leverage can significantly impact earnings management. This study found that most company sizes are usually in demand to manipulate financial statements or earnings management practices to realize market expectations, so it can be concluded that company size is a related factor in influencing earnings management practices (Marisha & Haninun, 2023). In contrast, the search that has been conducted by Siallagan and Machfoedz (2020) in Fahlevi *et al.* (2023) suggests that company size is not always directly related to earnings manipulation, especially in small or medium-scale companies, which may not have sufficient ability to implement complex earnings management practices. The first novelty of this study is the addition of two independent variables, namely leverage and profitability. The second novelty is that this study uses manufacturing companies going public in the food and beverage sub-sector listed on the Indonesia Stock Exchange in the 2019-2022 period. Company size is one of the many factors that can affect earnings management and is crucial for investors and creditors (Budiadnyani *et al.*, 2023). This condition can occur because it aligns with the risks that will be carried out. The advantage of a large enough company is that it can have easy access and has a relatively high investor interest. So that becomes a reason why large companies have high enough pressure to suppress earnings smoothing (Jannah & Rochmatullah, 2024). Previous research has examined the relationship between firm size variables and earnings management. Research by Sugiari Ayu *et al.* (2022) and Joe & Ginting (2022) suggest that company size positively impacts earnings management.

This phenomenon refers to the fact that the company's size increases, the stricter it is in carrying out earnings management practices. As a result, companies are under much pressure from stakeholders to maintain their financial stability. In contrast, research conducted by Harahap, (2021), Efita *et al.* (2022), and (Astari & Suputra, 2019) suggest that company size hurts earnings management. Another variable that can affect earnings management is managerial ownership. Sumantri *et al.*, (2021) suggest that managerial ownership is the right to be shared by individuals in the organization who are directly involved in the decision-making process, including directors and commissioners. The manager's ownership variable is assessed by calculating the percentage of the number of shares owned. According to Kevin & Taufik (2023), managerial ownership leads to the rate of share ownership by members of the board of directors or management who can make decisions about the company. Research on managerial ownership has been conducted by Minarti & Syahzuni (2022), Sari *et al.* (2023), and Tampubolon *et al.*, (2023) stated that the findings indicate that managerial ownership can have a positive impact on earnings management. In contrast to the research study conducted by Azizah and Sudarsi (2023), Saidu and Gidado (2018) suggest that managerial ownership cannot significantly affect earnings management. Leverage is one of the earnings management factors. Leverage is a ratio used to calculate how much the company will charge and distinguish it from its assets (Kasmir, 2016). Sarmigi *et al.* (2021) in Subing & Sari, (2023) state that the leverage ratio assesses the company's expertise in paying its long-term debt. The obligation to pay debt and increase the attention of new investor interest affects considerations in allocating profits. This is to the research study (Muhthadin & Hasnawati, 2022a) that leverage positively influences earnings management. This differs from the research conducted by Kurniawan & Hidayati, (2024) and Dewi and Fachrurrozie (2021), which found that leverage has no significant effect on earnings management.

Profitability is important in earnings management (Siringoringo & Sijabatb, 2023). Profitability is the potential to profit with a specific level of sales, assets, and share capital (Rahmadani *et al.*, 2020). The profit earned by a large company can be one of the high attractions for investors. That way, if the resulting ratio is higher, the productivity of assets will be better for the company's profits. This is what can be the lure of investors. Vice versa, if the ratio is smaller, earnings management results will be smaller. So when this ratio gets smaller, management often performs earnings management activities (Paramitha, 2020). This is to research Sari *et al.*, (2023) and Dewi & Fachrurrozie (2021), which suggest that profitability significantly affects earnings management. Meanwhile, this research is not based on studies conducted by Sugiari *et al.*, (2022) and Muhthadin & Hasnawati (2022), indicating that profitability has no significant impact on earnings management. Financial performance is a description of the condition or condition in which the company's financial balance is evaluated using financial analysis techniques, making it possible to know the positive and negative aspects of the company's finances and the future related to work performance during a period (Pramesti & Rahayu, 2021). In addition, financial performance also functions as a tool to evaluate the profitability and financial strength of a company as an effort to analyze financial statements to reveal the meaning and importance of items compiled in the income statement and statement of financial position, which will help management during the formation of healthy operations and finances (Saidu & Gidado, 2018). Astari & Suputra, (2019) conducted core research on financial performance in earnings management, showing that financial performance positively impacts earnings management. This study is different from the research undertaken by Dharma *et al.*, (2021), which suggests that financial performance does not affect earnings management.

Literature Review

Agency Theory

Jensen and Meckling first stated agency theory in 1976, which explains the contractual relationship between management (agent) and the company's shareholders or investors (principal) to increase efficiency and improve human welfare through profit (Jensen & Meckling, 1976). The contract is designed to combine different interests into a common project. In addition, the principal and agent have also been made into an agreement that aims to protect the information network from ordering uncertainty due to constantly changing conditions (Alfarizi *et al.*, 2021). This encourages management as an agent to maximize the management of accounting numbers systematically by following certain procedures or guidelines so that accounting numbers (profits) from time to time achieve their goals (Sugiari *et al.*, 2022). This agency relationship does not always cause problems between managers and shareholders. However, as economic beings, humans have a basic nature that is only concerned with their interests (Sari & Khafid, 2020). This conflict of interest arises because managers and shareholders have different goals and try to achieve these goals, so each has different goals and tries to achieve them (Christian & Sumantri, 2022). Shareholders want a higher return on investment, but managers want more money or incentives for their company's performance (Devanka *et al.*, 2022).

Earnings Management

Earnings management is a series of decision-making flows and report submissions by managers fairly and by the rules, which aim to obtain stable and sustainable financial results (Rahmawati & Fajri, 2021). Acoding to Nuraeni dan Hadiwibowo (2020) earnings management is a managerial activity that improves financial statements and accounting thinking when making decisions. There are two types of earnings management, namely, accrual earnings management and real earnings management. Accrual earnings management uses accounting methods and determines changes in line with established financial accounting standard guidelines (Wandari, 2023). Meanwhile, real earnings management uses timing changes in budgets, investments, or other operating arrangements to influence accounting profits (Yimenu & Surur, 2019)

According to research (Indriaty *et al.*, 2023) management takes actions intended to change reported earnings by using accounting methods, changing revenue or expense transactions, and other methods related to controlling short-term earnings. According to the reported figures, these activities are carried out to optimize financial performance quickly and affect contractual agreements (Astari & Suputra, 2019). Manager decisions in earnings management require reporting and financial transaction changes that change financial information. Decisions can encourage stakeholders to understand a company's financial performance and affect the results of contractual agreements that race with reported accounting data (Sari *et al.*, 2023). Earnings management is used to show that a company is financially strong and its managers are motivated to use accounting standards to optimize its profits and market value; this is called earnings management (Scott, 2000).

Hypothesis Development

Company Size

Company size is a representation of the size of a company. The size of a company reflects the company's ability to develop a business through capital obtained from banks or the capital market (Panjaitan & Muslih, 2019). The larger the company's size, the more complex its operations, and the greater the pressure to meet the performance expectations of various stakeholders. Large companies also have more resources to manage earnings through accounting manipulation or financial engineering (Isnawati *et al*., 2023). However, because external controls such as audits and regulations are stricter on large companies, they may be more vigilant in manipulating earnings (Umah & Sunarto, 2022). Companies can be determined by looking at the number of sales, the average level of sales, the number of assets, and the average amount of assets (Nabila & Rahmawati, 2023). Large companies generally bear a heavier burden on shareholders and the public, so they have pressure to show consistent financial performance (Yasa *et al*., 2020). As a result, small companies may have very large management control and lower external supervision, so they can use earnings management to maintain a consistent financial image. This supports the research findings of Effendi (2020), Devanka *et al.* (2022), and Tania & Ika, (2023), which explain that company size shows a positive impact on earnings management. Based on the explanation above, the hypotheses are:

H1: Company Size Affects Earnings Management

Managerial Ownership

Managerial ownership is management who owns and controls most of the shares in the company, which means that they also act as investors or shareholders in a company (Astari & Suputra, 2019). This agency problem occurs in agency theory because there is a difference or separation between owners and managers. According to Jensen & Meckling (1976) in (Arianto & Endah, 2024), management ownership must monitor and supervise to minimize agency problems. If management has ownership, it can be assumed that managers will act in their best interests as shareholders, which means managers want to benefit from every decision. Based on this ownership, the interests of management and shareholders will be equal. This statement is proven by the research results (Wakidatur & Meirini, 2022) that there is a negative impact between managerial ownership and earnings management, where a larger managerial ownership position can reduce the opportunity for earnings management practices. These findings support the results of research studies conducted by Kevin & Taufik, (2023) Nurhayati, (2022) and Hasnawati, (2022), where managerial ownership hurts earnings management. Based on the explanation above, the hypothesis is:

H2: Managerial Ownership Affects Earnings Management

Leverage

Leverage is a ratio indicator that describes the capacity of a company to manage its debt and generate profits (Putra *et al*., 2023). The profits can be high if managers do not consider opportunistic actions such as earnings management (Umah & Sunarto, 2022). This happens because the company has a very large leverage effect to adapt (Jin, 2023). Based on the results of research conducted by Astriah *et al*., (2021) and Azizah & Sudarsi (2023), leverage positively affects earnings management. This study indicates that companies with a high level of leverage are more prone to earnings management practices. This is due to the pressure to meet financial obligations and maintain performance that looks good in the eyes of creditors and other stakeholders. Based on the explanation above, the hypothesis is:

H3: Leverage Affects Earnings Management

Profitability

Profitability is the capacity of an organization to achieve net profit from sales, total assets, or equity. It can also be a benchmark for evaluating company performance (Azizah & Sudarsi, 2023). About earnings management, products can influence managers' decisions in

managing income. If the company's profitability is small, managers will apply performance management techniques to maintain optimal results from the owner's point of view. This is very relevant to the actions of managers to show the best performance of the company they manage (Siregar *et al*., 2022). According to research by Dharma *et al*., (2021) and Felicia & Natalylova, (2022), Profitability positively impacts earnings management. The higher the profit the company gets, the higher its reward. This can increase management's ability to carry out earnings management practices according to their goals and interests. Based on the explanation above, the hypothesis is:
H4: Profitability Affects Earnings Management

Financial Performance

Financial performance represents how successful the company is in achieving the goals, objectives, vision, and mission that have been determined in the company's strategic plan. This performance can be interpreted as the result of several efforts made by the company to achieve it. Measuring a company's performance is important in improving operational efficiency to compete with other companies (Shafira *et al*., 2021). Financial performance analysis is one of the main approaches in this study, relying on data review, measurement, calculation, and completion of a company's financial statements (Indahsari & Prabowo, 2021). Financial performance analysis evaluates past operational results and identifies patterns of relationships between financial components that may be hidden (Sihombing *et al*., 2020).

By understanding these relationships, companies can synchronize the underlying relationships and make decisions about situations that cannot be explained by looking at only one side of the component relationship. (Pramesti & Rahayu, 2021). Based on several previous studies related to financial performance on earnings management. However, these results show significant differences. (Astari & Suputra, 2019) Revealed that economic performance positively impacts earnings management. This is by the discussion above. Meanwhile, Dharma *et al*., (2021) and Setiadikurnia (2023) explain that performance does not impact earnings management. Based on the explanation above, the hypothesis is:
H5: Financial Performance Affects Earnings Management

Research Method

This research method is quantitative. The population in this study used food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange in the 2019-2022 period. The technique used in this research is purposive sampling, namely sampling according to the criteria determined in line with the objectives and focus of the research (Azizah & Sudarsi, 2023). The sample criteria in this study include:

Table 1. Sample and data

Samples and Data	2019	2020	2021	2022	Total
Population of manufacturing companies in the food and beverage sub-sector listed on the Indonesia Stock Exchange (IDX) in 2019-2022.	84	84	84	84	336
(-) Food and beverage sub-sector manufacturing companies that do not issue annual reports continuously during 2019-2022.	-33	-33	-33	-33	-132
(-) Food and beverage sub-sector manufacturing companies that experienced losses during 2019-2022.	-25	-25	-25	-25	-100
(-) Food and beverage sub-sector manufacturing companies that do not have complete data and information for the calculation of all variables.	0	0	0	0	0
Total sample and data	26	26	26	26	104
Outliers					-35
Data used					69

Secondary data can be used in this study. The secondary data is obtained from annual reports or food and beverage sub-sector companies listed on the Indonesia Stock Exchange for 2019-2022. These are received on the Indonesia Stock Exchange website (www.idx.co.id) or the company website. This study uses the documentation method for data collection to overcome the problem of collecting secondary data and general information (Indriantoro, 2013).

Result and Discussion

Results

Normality Test Result

The normality test aims to test whether the dependent and independent variables in the regression method have a normal distribution. A good regression model requires the data to be normally or approximately normally distributed. This study used the non-parametric Kolmogorov-Smirnov One Sample test to detect whether the data was normally distributed.

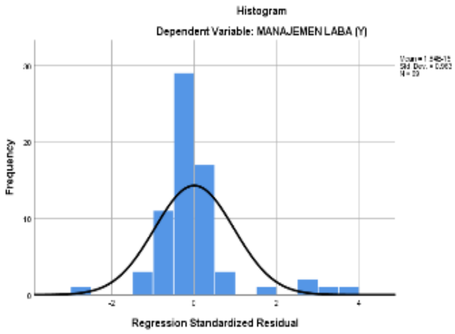

Figure 1. Histogram Graph

The results in the histogram normality test produce a mountainous curve shape, so the pattern is normally distributed.

Table 2. Normality Test Results

	Unstandardized Residual
N	69
Asymp. Sig. (2-tailed)	.200c,d

Based on the results of the One-Sample Kolmogorov-Smirnov test listed in Table 1, the Asymp. Sig (2-tailed) 0.200> 0.05. Thus, the data in this study are normally distributed, and the requirements in the normality test in this regression model can be met.

Table 3. Multicollinearity Test Results

Variable	Tolerance	VIF	Description
Company Size	0,433	2,308	No multicollinearity
Managerial Ownership	0,988	1,012	No multicollinearity
Leverage	0,779	1,284	No multicollinearity
Profitability	0,834	1,200	No multicollinearity occurs
Financial Performance	0,493	2,027	No multicollinearity

From Table 3, the company size variable produces a tolerance of 0.433 and a VIF of 2.308, where the tolerance value is more than 0.1 and the VIF is less than 10, so the results of data analysis do not occur in multicollinearity. The managerial ownership variable produces a tolerance of 0.988 and a VIF of 1.012, where the tolerance value is more than 0.1, and the VIF is less than 10, so the results of the data analysis do not occur in multicollinearity. The leverage variable produces a tolerance of 0.779 and a VIF of 1.284, where the tolerance value is more than 0.1, and the VIF is less than 10, so the results of the data analysis do not occur in multicollinearity. The profitability variable produces a tolerance of 0.834 and a VIF of 1.200, where the tolerance value is more than 0.1, and the VIF is less than 10, so the results of the data analysis do not occur in multicollinearity. The financial performance variable produces a tolerance of 0.493 and a VIF of 2.027, where the tolerance value is more than 0.1 and the VIF is less than 10, so the results of the data analysis do not occur in multicollinearity.

Table 4. Heteroscedasticity Test Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	56.296	55.825		1.008	.322
LnX1	-14.289	16.406	-.276	-.871	.391
LnX2	.049	.221	.042	.223	.825
LnX3	1.298	.968	.306	1.341	.191
LnX4	.200	.715	.059	.280	.782
LnX5	.137	.358	.114	.384	.704
a. Dependent Variable: LnU2i					

Table 4, shows the significance value for each independent variable> 0.05. It can be concluded that there are no symptoms of heteroscedasticity in the regression model tested. In other words, the residual variance of this regression model is relatively constant across independent levels, which means that the heteroscedasticity assumption is met.

Table 5. Multiple Linear Regression Test Results

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	296.470	101.475		2.922	.005
Ukuran Perusahaan (X1)	-9.619	3.411	-.483	-2.820	.006
Kepemilikan Manajerial (X2)	-.219	.278	-.089	-.787	.434
Leverage (X3)	14.893	20.897	.091	.713	.479
Profitability (X4)	-84.879	61.628	-.170	-1.377	.173
Financial Performance (X5)	-.083	.281	-.048	-.297	.767

Based on the results of multiple linear regression analysis obtained using SPSS V.25 above, a regression equation can be made that will complement the results found in the study:

$$Y = 296{,}470 - 9{,}619X_1 - 0{,}219X_2 + 14{,}893\ X_3 - 84{,}879X_4 - 0{,}083X_5 + \varepsilon$$

The content value has a positive value of 296.470. The positive sign means that it shows a unidirectional influence between the independent variable and the dependent variable. This shows that all independent variables have a fixed or constant value, including company size, managerial ownership, leverage, profitability, and financial performance. Thus, earnings management will show a value of 296,470. The coefficient value on the company size variable has a negative value of -9.619. The negative sign indicates that if there is an increase in company size by 1%, earnings management will decrease by 9.619% with the assumption that other variables are constant. The coefficient value on the managerial ownership variable has a negative value of -0.219. The negative sign means that if there is an increase in managerial ownership by 1%, earnings management will decrease by 0.219% with the assumption that other variables are constant.

The coefficient value on the leverage variable has a positive value of 14.893. The positive sign means that the higher the leverage in a company tested with DER, the lower the implementation of earnings management will be. Conversely, if the leverage is lower, the application of earnings management will also increase. The coefficient value on the profitability variable has a negative value of -84.879. The negative sign means that if there is an increase in profitability of 1%, then earnings management will decrease by 84.879% with the assumption that other variables are constant. The coefficient value of financial performance has a negative value of -0.083. The negative sign means that if there is an increase in financial performance by 1%, earnings management will increase by 0.0.83%, assuming other variables are constant. The error value is 101.475, which means that the level of error or deviation that may not be known in the regression model is 101.475. Based on the tests that have been carried out show that the results on the company size variable have a significance value of 0.006, which means it is smaller than 0.05 or 5%. Thus, it is accepted, meaning that company size affects earnings management. The managerial ownership variable has a significance value of 0.434, greater than 0.05 or 5%. Thus, it is rejected, meaning managerial ownership does not affect earnings management. The leverage variable has a significance value of 0.479, which means greater than 0.05 or 5%. Thus, it can be concluded that it is rejected, meaning that leverage does not affect earnings management. The profitability variable has a significance value of 0.173, meaning greater than 0.05 or 5%. Thus, it can be concluded that it is rejected, meaning that profitability does not affect earnings management. The financial performance variable has a significance value of 0.767, meaning greater than 0.05 or 5%. Thus, it can be concluded that it is rejected, meaning that financial performance does not affect earnings management.

Table 6. F Test Results

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	1093 5.964	5	2187.193	3.162	.013[b]
Residual	43583.703	63	691.805		
Total	54519.667	68			

Based on the significant test (F test), the F significance value of 0.013 is smaller than 0.05. This means that the variables of Company Size, Managerial Ownership, Leverage, Profitability, and Financial Performance simultaneously (together) affect the dependent variable, namely Earnings Management. In other words, the research model is feasible (fit).

Table 7. R2 Determination Coefficient Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.448[a]	.201	.137	26.30218

Table 7 shows that the Adjusted R Square value is 0.137 or 13.7%. This indicates that the independent variables, namely company size, managerial ownership, leverage, profitability, and company performance, affect earnings management. The remaining 86.3% is influenced by other variables not included in the model.

Discussion

Based on the test results that have been carried out, company size hurts earnings management. This study's results align with research conducted, which reveals that company size hurts earnings management. Still, this study does not align with research conducted by (Yasa *et al.*, 2020), which shows that company size does not affect earnings management. The larger the company tends to have dominant resources and operational complexity. This creates more opportunities for managers to manipulate financial statements because they have more assets and transactions. In large companies, earnings management is more prominent because the large scale of operations provides more opportunities to manipulate financial statements. Based on the test results that have been carried out show that managerial ownership does not affect earnings management. This study's results align with research conducted by (Indriaty *et al*., 2023), which reveals that managerial ownership does not affect earnings management. Managerial ownership refers to the ownership of shares by managers, which makes them managers and company owners. The manager's interests include the benefits obtained from ownership of these shares. High managerial ownership can increase the likelihood of earnings management, as managers may manipulate earnings to maximize their profits. In addition, high managerial ownership can trigger internal conflicts that affect managerial control over the company. The test results that have been carried out show that leverage does not affect earnings management. This study's results align with research conducted by (Pramesti and Rahayu, 2021), which reveals that leverage does not affect earnings management. Companies with higher leverage tend to encourage management to practice earnings management, hoping to show good performance. However, creditors who provide large loans will closely monitor the company. Thus, companies with high debt will face indirect supervision from creditors, which makes management unable to implement earnings management freely. Earnings management is often done to show positive performance by managers.

The test results that have been carried out show that profitability does not affect earnings management. This study's results align with research conducted by Hidayatullah and Arif (2023), which reveals that profitability does not affect earnings management. However, this research does not align with (Dharma *et al*., 2021a), demonstrating that profitability affects earnings management. This shows that companies with high or low profitability levels do not affect earnings management because it is caused by the tendency of investors to ignore Return on Asset (ROA) management is not encouraged to carry out earnings management based on profitability variable information. Thus, the level of profitability a company obtains, whether high or low, will not affect earnings management. The test results show that financial performance does not affect earnings management. This study's results align with research conducted by Rakasiwi *et al.* (2024), which reveals that financial performance does not affect earnings management. However, this study does not align with research conducted by (Astari & Suputra, 2019), which reveals that financial performance affects earnings management. When the company shows positive results, characterized by high profits, a company tends to postpone profit recognition to a later period to avoid increasing tax liabilities. This study did not find a relationship between financial performance and earnings management, which was caused by the high net profit of a company. The company's high net profit reflects strong performance, which can attract investors.

Conclusion

Based on the results and discussion, it is found that company size affects earnings management. Managerial ownership has no effect on earnings management. Leverage has no effect on earnings management. Profitability has no effect on earnings management. Financial performance has no effect on earnings management. The limitations of this study are that the research was only conducted within the scope of food and beverage sub-sector companies listed on the Indonesia Stock Exchange, the research period was undertaken only for four years, namely 2019-2022, and the results of the coefficient of determination test (Adjust R square) show that the dependent variable explains the variation in the dependent variable, namely earnings management of 0.137 or 13.7%, while the remaining 86.3% is explained by other variables not included in this study.

Future researchers can expand the research object by categorizing companies based on the IDX-IC classification on the Indonesia Stock Exchange (IDX). This classification allows for more specific and relevant comparisons across industries. Extending the research period, for example, to six or ten years, can provide a more comprehensive understanding of trends and long-term effects, leading to more accurate and robust results. The findings of this study can provide valuable insights for investors and regulators by utilizing a broader analysis based on the IDX-IC classification. This approach enables a sector-specific perspective, helping investors make more informed decisions and assisting regulators in formulating more effective policies.

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