THE EFFECT OF PROFITABILITY, LEVERAGE, AND FIRM SIZE ON ACCRUAL EARNINGS MANAGEMENT

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Abstrak: The Effect of Profitability, Leverage, and Firm Size on Accrual Earnings Management. This study aims to investigate: (1) The effect of Profitability on Earnings Management; (2) The effect of Leverage on Earnings Management; (3) The effect of Firm Size on Earnings Management; (4) The effect of Profitability, Leverage, and Firm Size simultaneously on Earnings Management. The population of this research is manufacturing companies listed on Indonesia Stock Exchange period 2016-2018. The sample is selected by using purposive sampling. Based on criteria, 113 companies are selected, then research data are analysed in three reporting periods 0f 2016-2018, became the total population of 339 companies. The data analysis techniques using multiple regression analysis. The result showd that (1) Profitability has a significant effect on earnings management; (2) Leverage has a significant effect on earnings management; (3) Firm Size has a significant effect on earnings management; (4) Profitability, Leverage, and Firm Size simultaneously has a significant effect on earnings management.

Kata kunci: Profitability, Leverage, Firm Size, Earnings Management.

Abstrak: Pengaruh Profitabilitas,* Leverage, *dan Ukuran Perusahaan terhadap Manajemen Laba. *Penelitian ini bertujuan untuk mengetahui: (1) Pengaruh Profitabilitas terhadap Manajemen Laba; (2) Pengaruh Leverage terhadap Manajemen Laba; (3) Pengaruh Ukuran Perusahaan terhadap Manajemen Laba; (4) Pengaruh Profitabilitas, Leverage, dan Ukuran Perusahaan terhadap Manajemen Laba. Populasi dari penelitian ini adalah perusahaan manufaktur* go public *yang terdaftar di Bursa Efek Indonesia tahun 2016-2018. Pemilihan sampel menggunakan metode purposive sampling. terdapat 113 perusahaan yang memenuhi kriteria sebagai sampel penelitian, kemudian data penelitian dianalisis dalam tiga periode pelaporan yaitu tahun 2016-108, sehingga diperoleh total sampel adalah 339 perusahaan. Teknik analisis data menggunakan analisis regresi linier berganda. Hasil penelitian menunjukkan bahwa (1) Profitabilitas berpengaruh signifikan terhadap Manajemen Laba; (2)* Leverage *berengaruh signifikan terhadap Manajemen Laba; (3) Ukuran Perusahaan berpengaruh terhadap Manajemen Laba; (4) Profitabilitas,* Leverage, *dan Ukuran Perusahaan secara simultan berpengruh terhadap Manajemen Laba.*

Keywords*: Profitabilitas,* Leverage*, Ukuran Perusahaan, Manajemen Laba.*

INTRODUCTION

Indonesia's economic development is affected by business competition. Increased business competitiveness forces every company's management to compete competitively against its rivals. Companies must improve their performance in a variety of technique to compete in the business world. Financial performance is used as a form of corporate management accountability for resource management. The form of management accountability is reflected in the financial statement.

Financial statements are information that describes the condition of a company, which in turn will become information that represents the performance of a company (Fahmi, 2012). The financial statements of each company have criteria by established policies. Companies that listed on the Indonesia Stock Exchange must present financial statements by the policies or requirements that have been regulated and be appointed by the OJK (Financial Services Authority).

The information presented in the financial statements describes the real condition of the company or becomes a representation of future projections. In addition to being a description of the company's condition, financial statements are an evaluation material of the resulting financial performance. The performance of a company can be assessed through the company's ability to maximize profits. The profit aspect motivates management to achieve the specified target. Earnings information is often the target of management's opportunistic action engineering to maximize its satisfaction (Selviani, 2018). The choice of policy to achieve the desired level of prosperity is called earnings management (Herawaty, 2015).

Earnings management occur as a result of agency problems because of the misalignment between the interests of the owner *(*principal*)* and company management *(*agent*)* or what is known as the agency conflict (Puspitasari, 2017). In running a business, the manager is tasked with optimizing investors' profit, but on the other side the manager also wants to maximize personal interests. Agency theory explains the connection between principal and agent.

The earnings management case occurred at PT Garuda Indonesia Tbk (GIAA). According to detikfinance.com the 2018 GIAA financial report are recorded a net profit of US$ 809.85 thousand or equivalent to Rp 11.33 billion (exchange rate of Rp. 14,000). Even though in the third quarter of 2018, Garuda Indonesia still suffered a loss of US$ 114.08 million or Rp. 1.66 trillion, when multiplied by the exchange rate at that time, it was around Rp.

14,600. In the GMS held on January 24, 2019, Garuda Indonesia management acknowledged revenues from PT Mahata Aero of US$239,940,000, of which US$28,000,000 was part of the profit-sharing obtained from PT Sriwijaya Air. Even though the money is still in the form of receivables, the company recognizes it as revenue. With these data, it can be concluded that PT PT Garuda Indonesia Tbk (GIAA) takes earnings management actions so that the published financial statements look good.

In the case of earnings management related to the reporting of profits in the company's financial statement. This study earnings management is associated with the stability of profits obtained, assets managed, and debts owned by the company. Than the research relates to factors such as profitability, leverage, and firm size.

The company's profitability describes the company's ability to generate profits (Sarwoko and Halim, 2013). higher a company's level of profitability, the better its performance and ability to make profits (Yatulhusna, 2015). However, companies with low levels of profitability will trigger companies to carry out earnings management by increasing the income earned (Astuti, 2017).

Leverage is related to the corporate debt. Leverage shows how much of the company's assets are financed by debt. High level of leverage is related to the risk of the company in fulfilling its obligations to creditors. Companies with a high level of leverage will be motivated to carry out earnings management to keep off the debt violations (Selviani, 2017).

Investors or shareholders usually choose companies that have good performance so that the capital they invest in the company can be profitable. Assets are one of the parameters used by investors in assessing the size of a company. If the company's assets tend to increase, investors will evaluate that the selected company is large. Companies that are considered small are also often involved in earnings management practices. The reason behind the practice of earnings management cannot be separated from the company's performance and investment activities.

Manufacturing businesses were chosen as the population since they are the most numerous companies on the IDX, so the research results are expected to be more representative. The choice of three sectors is because publicly listed manufacturing companies in Indonesia listed on the Indonesia Stock Exchange (IDX) are grouped into three main types of sectors, namely the industrial and chemical sectors, the various industrial sectors, and the consumer goods sector. Furthermore, companies that go public are chosen to make their financial status more transparent.

Based on the background of the problems described above, the researchers are interested in conducting a study aim to investigate: (1) The effect of Profitability on Earnings Management; (2) The effect of Leverage on Earnings Management; (3) The effect of Firm Size on Earnings Management; (4) The effect of Profitability, Leverage, and Firm Size simultaneously on Earnings Management.

LITERATURE REVIEW

Financial Statement

Kasmir (2016), financial statements are reports that indicate the financial situation of a company at this time or in a certain period. According to Financial Accounting Standards No. 1, The purpose of financial statements (2015:1.5-1.6) is to provide information about the financial position, financial performance, and cash flows in financial statements in making economic decisions.

Meanwhile, according to Kasmir (2016), there are usually five types of financial statements: income statement (profit and loss statement), statement of owner equity, balance sheet, cash flow statement, and notes to financial statement. IAI identifies users of financial statements based on their respective interests. The users of financial statements are: investors, creditors, employes, supplier, customers, government, and public.

Agency Theory

Jansen and Meckling (1976) that agency relationships arise when one or more people (principal) hire another person (agent) to provide a service and then delegate decision-making authority to the agent. Gene conflict creates problems between managers and investors. Managers who are authorized over company activities are obliged to provide financial reports. In addition to this authority, managers also have access to more information about the company's internal and prospects than shareholders. So that managers are obliged to provide information related to the condition of the company to shareholders as a form of responsibility for its management. However, occasionally the information provided does not meet the company's requirements, resulting in a conflict of interest.

Agency problems can be minimized by a supervisory mechanism that can balance the stakeholder's needs. In addition, the granting of company stock options as managerial compensation can be an alternative to minimize agency conflicts (Rahmawati and Saputra, 2017). According to Scott (2015), managers who are authorized to manage companies and share options will not behave opportunistically because the company is also theirs.

Profit Concept

Suwardjono (2014), profit is defined as an increase in assets in a period of productive activities that are divided or distributed to creditors, government, shareholders (in the form of interest, taxes, and dividends) without affecting the integrity of shareholder equity. According to Shatu (2016:26), the types of profits are divided into: operating profit, profit before tax, and profit after tax.

Earnings Management

Scott (2015:445) defines earnings management is the choice by a manager of accounting policies or actions affecting earnings, to achieve some specific reported. According to Baruch Lev in Lako (2007), there are three management motives in conducting earnings management, namely: personal gain to increase the value of executive compensation, maintain continued support from investors and suppliers or customers, and Convince parties who enter into a contractual agreement with the company. According to Scott (2015), there are four patterns of earnings management, namely: Inocome Minimization, Income Maximization, Taking a Bath, and Income Smothing.

Profitability

Investors will invest their capital in companies with good profits to benefit from the capital invested. Profitability describes the potential of capital invested in overall assets to generate net profits (Sujarweni, 2017). In this research, profitability is calculated by dividing net income after taxes by total assets (Brigham, 2011). This ratio is important for investors and companies because through this ratio it can be seen how far the investment is able to provide profits that are in accordance with the expected level. In addition, a high level of profitability will decrease the motivation to carry out earnings management because the company's performance has been able to meet the company's expectations.

Leverage

Leverage is the company's ability to use assets or capital that have a fixed burden (debt) effectively to obtain an optimal level of operating income. In other words, it explains the tendency of the business capital structure, in this case the company uses debt financing more or concentrates more on its capital (equity) in the business capital structure (Herawaty, Lubis, and Rahmando, 2015). In this research calculated leverage used total debt devided by total assets (Brigham, 2011). Leverage shows the amount of leveraged debt, the higher the risk of the company is paying its obligations, so this will have an impact on creditor confidence.

Fiem Size

Fim size is the size of a company. Fim size is a scale that can be used to classify companies, including small or large companies. Sunarto dam Widianingrum (2018) defines firm size as the total assets, total sales, average number of sales, and average number of assets. According to Herawaty and Guna (2010) Firm size can be measured using the logarithm of total assets. Companies with high total assets have matured to the point where their cash flow is positive, they are deemed to have good prospects over a longer period, and they are more able to create profits than companies with modest total assets.

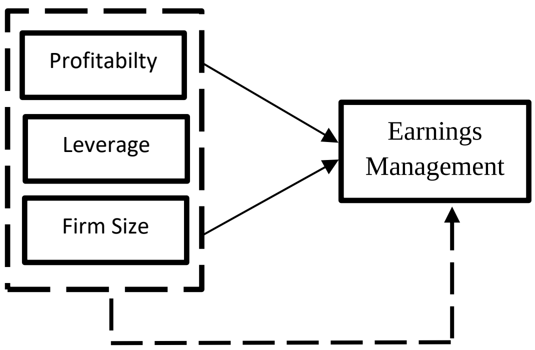

Figure 1. Research Paradigm

H_1: Profitability has a significant effect on Earnings Management in Manufacturing Companies listed on Indonesia Stock Exchange 2016-2018.

H_2: Leverage has a significant effect on Earnings Management in Manufacturing Companies listed on Indonesia Stock Exchange 2016-2018.

H_3: Firm Size has a significant effect on Earnings Management in Manufacturing Companies listed on Indonesia Stock Exchange 2016-2018.

H_4: Profitability, Leverage, and Firm Size has a significant effect on Earnings Management in Manufacturing Companies listed on Indonesia Stock Exchange 2016-2018.

RESEARCH METHOD

Research Design

This type of research used in this research using quantitative research methods. Quantitative data is data in the form of numbers or data that is numbered (Sugiyono, 2012).

Place and Time of Research

This research was conducted at official website of IDX and company official website. Research was conducted in December 2020 until April 2021.

Population and Sample of Research

Population refers to the whole group of an individual; events, or matters of interest that researchers want to investigate (Uma Sekaran, 2006: 121). The population in this study is a publicly listed manufacturing company on the Indonesia Stock Exchange period 2016 - 2018.

The purposive sampling technique is a sampling technique that is carried out based on specific criteria. The criteria used in a sample in this study are: (a). Manufacturing Companies on Indonesia Stock Exchange (IDX) period 2016-2018, (b). Companies that publish annual statement for the period of December 31, 2016-2018 which have been audited and open for public, (c). The company has complete data, especially the variables in this study, are total receivables, fixed assets, total assets, total income, profit after interest and taxes, and the total debt in the 2016-2018 period.

After applying the criteria, then the manufacturing companies listed on IDX and eligible in this study are as many as 113 companies. There are 26 companies from industry sector, 50 companies from basic industry and chemicals and 37 companies from consumer good industry. The period of time in this study is three times of its annual financial statement publication (2016-2019) so that the amount of data used as many as 339 research data.

Operation Variable Definition

Dependent Variable

The dependent variable is the variable that is influenced or which is the result because of the independent variable (Sugiyono, 2012). The dependent variable in this study is earnings management as measured by discretionary accruals. Earnings management is a potential use of accrual management by obtaining personal gain (Belkaoui, 2004).

Earnings management (DAC) can be measured through directional accruals which are calculated by differentiating total accruals (TAC) and nondiscretionary accruals (NDA). The calculation model is as follows:

a. Measure the accrual by using modified Jones model

$$\boxed{TAC = NIit - CFit}$$

Information:

TAC = Total Accruals

NIit = Net Income from company i on t period

CFit = Operating Cash Flow company i on t period

b. Calculates the accruals value estimated with the OLS (Ordinary Least Square) regression

$$\frac{TACt}{TAt\text{-}1} = \beta_1\left(\frac{1}{TAt\text{-}1}\right) + \beta_2\left(\frac{\Delta REVt}{TAt-1}\right) + \beta_3\left(\frac{PPEt}{TAt-1}\right) + e$$

Information:

TACt = total accruals in period t

TAt-1 = total assets of period t-1(Δ)REVt = change of revenue in period t

PPEt = property, plan, and equipment period t

$(\beta)1,(\beta)2,(\beta)3$ = regression coefficient

e = error term (Error)

c. Calculating the nondiscretionary accruals model (NDA)

$$\frac{NDTACt}{TAt\text{-}1} = \beta_1\left(\frac{1}{TAt\text{-}1}\right) + \beta_2\left(\frac{\Delta REVt\text{-}\Delta RECt}{TAt-1}\right) + \beta_3\left(\frac{PPEt}{TAt-1}\right) + e$$

Information:

NDTAC = nondiscretionary accrual in t period

TAt-1 = total assets of period t-1

(Δ)REVt = change of revenue in period t

(Δ)RECt = change of accounts receivable in period t

PPEt = property, plan, and equipment period t

$(\beta)1,(\beta)2,(\beta)3$ = fitted coefficient obtained from the regression result on the total accrual calculation.

e = error term (Error)

d. Calculating Discretionary Total Accrual

$$DTACt = \frac{TACt}{TAt-1} - NDTACt$$

Information:

DTACt = discretionary total accrual in period t

TACt = total accruals in period t

TAt-1 = total assets of period t-1

NDTACt = nondiscretionary accrual in period t.

Independent Variable

a. Profitability

Profitability is company's ability to generate profits over a certain period (Sunarto and Widianingrum, 2018). Return on Assets is used to calculate profitability ratios in this study. The return on total assets is calculated using the net income to total assets ratio (Brigham, 2011). According to Brigham (2011), ROA measurements are as follows:

$$\text{ROA} = \frac{\text{Net Income}}{\text{Total Asset}}$$

b. Leverage

Leverage shows the amount of leveraged debt, the higher the risk of the company is paying its obligations, so this will have an impact on creditor confidence. According to Brigham (2011), leverage is calculated using the following formula:

$$\text{DAR} = \frac{\text{Total Debt}}{\text{Total Asset}}$$

c. Firm Size

According to Brigham and Houston (2011), company size is a representation of the size of a company. In this research, the calculation of the size of the company used is using the logarithm of total assets.

$$\text{Firm Size} = \log(\text{Total Asset})$$

Descriptive Analysis Technique

The data analysis techniques were descriptive statistics analysis, classic assumption test, and multiple linear regression analysis.

RESULT AND DISCUSSION

Descriptive Statistics Analysis

Descriptive statistics is a presentation of data in the form of tables or graphs. Data presentation is accompanied by group explanations through mode, median, mean, and standard deviation (Sugiyono and Susanto, 2015). By performing descriptive statistical calculations, it can be seen that the description of the data on profitability, leverage, and company size is the dependent variable, and earnings management is the independent variable. Data description of each variable in table 1.

Table 1. Descriptive Statistic

Variable	N	Min	Max	Mean	Std Dev.
Profitability	339	-3.78	1.91	0.439	0.27708
Leverage	339	-0.01	3.59	0,5194	0.39349
Firm Size	339	9.13	14.54	12.3628	0.76613
Earnings Management	339	-4.14	5.32	0.3027	0.94701

Based on statistical table, it can be explained as follow:

a. Earnings management value has a minimum value is -4,14, a maximum value is 5,32 with and the mean value is 0,3027 and its standard deviation is 0,94701.
b. profitability value has a minimum value is -3,78, a maximum value is 1,91 with and the mean value is 0,439 and its standard deviation is 0,27708.
c. leverage value has a minimum value is -0,01, a maximum value is 3,59 with and the mean value is 0,5194 and its standard deviation is 0,39349.
d. firm size value has a minimum value is 9,13, a maximum value is 14,54 with and the mean value is 12,3628 and its standard deviation is 0,76613.

Classic Assumption Test

Normality Test

Based on the Kolmogorov-Smirnov Test result, it can be seen that the significance value or Asympt. Sig. (2 tailed) of 0.108. this value is more significant than 0.05 (5%), so it can be concluded that the residual data in this study were normality distributed.

Table 2. Normality Test

Variable	Kolmogorov-Smirnov	Asymp. Sig.	Desc.
Residual	1.207	0.018	Normal

Muticollinierity Test

The multicolllinerarity test result shows that the VIF value on profitability is 1.044, leverage is 1.013, and company size is 1.047. Based on the VIF value it can be concluded that it does not contain multicollinearity because profitability, leverage, and firm size have a VIF value < 10. So it can be concluded that these variables aare free from multicollinearity.

Table 3. Multicolllinerarity Test

Variable	Tolerance	VIF
Profitability	0.958	1.044
Leverage	0.987	1.013
Firm Size	0.955	1.047

Heteroscedasticity Test

Based on heteroscedasticity test result shows that the profitability value has a value of 0.361, leverage has a significance of 0.110, and the firm value has a value of 0.407. As a result, it can be concluded that the data does not occur heteroscedasticity because the significance value is > 0.05. So can be concluded that the regression model in this study does not occur heteroscedasticity disorders.

Table 4. Heteroscedasticity Test

Variable	Sig.
Profitability	0.361
Leverage	0.110
Firm Size	0.407

Autocorellation Test

Based on the autocorellation test, show that the Durbin-Watson value is 1.841. The value of DU with n=339 and k=3 is 1.83392, so 4-DU=2.16608, so the determined value is 1.8412,16608<1.841<2.16608. As a result, based it can be concluded that there is no autocorrelation.

Table 5. Autocorellation Test

R	R Square	Adjusted R Square	Durbin-Watson
0.241	10.58	0.49	1.841

Hypothesis Test

Hypothesis testing in this study using multiple linear regression analysis. Multiple linear regression analysis was used to determine the effect of the independent variables, namely profitability, leverage, and firm size on the dependent variable, namely earnings management. The calculation results of multiple linear regression can be seen in table 6:

Table 6. Multiple Linier Regression Test

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	2.652	1.151	1.91	2.305	0.022
Profitability	-0.368	0.181	3.59	0,5194	0.043
Leverage	0.337	0.124	14.54	12.3628	0.007
Firm Size	-0.991	0.456	5.32	0.3027	0.031

First Hypothesis Test (H_1)

Based on the multiple regression test, the t-count value is -2.031 with a significance value of 0.043. The results show that the value of t arithmetic > t table is -2.031> 1.967 and the value is significantly smaller than the predetermined significance level of 0.043 <0.05. As a result, it is reasonable to conclude that profitability has a significant effect on Earnings Management. Hypothesis accepted.

Profitability is the company's ability to earn profits to sales, total assets, and personal capital. Companies with a high level of profitability can attract the attention of investors to invest. However, if the level of profitability is low, investors tend to withdraw their investments. Therefore, managers try to control the company's profits by practicing earnings management. Management uses the accrual policy as one of the earnings management actions. This is following agency theory which states that the motivation of accrual management, especially opportunistic motivation, is carried out to attract investorsThe research findings match with those by Utomo and Suaidah (2018), who found that profitability has a significant impact on earnings management. This is because the profit generated by the company is an indicator of the occurrence of earnings management practices and managers usually take action by manipulating the components of profit and loss reported by the company.

Secound Hypothesis Test (H_2)

Based on the multiple regression test, the t-count value was 2.715 with a significance value of 0.007. The results show that the value of t count> t table is 2.715> 1.967 and is significantly smaller than the predetermined significance level of 0.007 <0.05. As a result, it is reasonable to conclude that leverage has a significant effect on Earnings Management. Hypothesis accepted.

Leverage relates to external sources of funds (debt) to finance the continuity of the company's operations in the future. High leverage indicates that the company has high debt and the greater the risk investors faced in determining investment. High debt levels result in the company's lack of ability to satisfy using loans as a funding source. Therefore, managers will try various techniques to stabilize earnings, such as reducing debt, increasing asset value, or increasing income. The high level of corporate debt triggers managers to take earnings management actions to improve the company's image to external parties to retain investors in investing. The research findings match with those by Suryani and Agustina (2018) that leverage has a significant effect on earnings management. This is because companies that have high leverage ratios are suspected of carrying out earnings management.

Third Hypothesis Test (H_3)

Based on the multiple regression test, the t-count value is -2.172 with a significance value of 0.031. The results show that the value of t count> t table is -2.172>1.967 and is significantly smaller than the predetermined significance level of 0.031 <0.05. As a result, it is reasonable to conclude that the size of the company has a significant effect on Earnings Management. Hypothesis accepted.

The size of the company shows the amount of information from the company's total assets so that it becomes the public's attention regarding its performance. Companies with high asset levels have high public attention to the management of their assets, company is more careful in processing its assets into profit. The attention of external parties to large companies increasingly encourages management to be careful in presenting financial statements to avoid earnings management practices. However, companies that tend to be small in size tend to practice earnings management by presenting higher profits to maintain the company's performance to investors and external parties that the company's performance is worthy of being chosen as a place of investment.

This study is in accordance with previous research conducted by Santi and Wardani (2018) which showed that firm size proved to have a significant effect on income smoothing practices. This is because larger companies are required to present good financial statements to meet the interests of shareholders. In addition, shareholders are generally more critical in analysing reports on large companies compared to small companies.

Fourth Hypothesis Test (H_4)

Based on the multiple regression test, the f-count value is 6.855 with a significance value of 0.000. The results show that the value of f count> f table is 6.855>2.631 and is significantly smaller than the predetermined significance level of 0.000<0.05. As a result, it is reasonable to conclude that the profitability, leverage, and firm size has a significant effect on Earnings Management. Hypothesis accepted.

The results of this study indicate that Profitability, Leverage, and Firm Size has the effect on earnings management together because the independent variables of this study have information that is quite important for management and investors, such as profitability can provide information about the company's performance, Leverage which provides information regarding the company's debt and Firm Size value which indicates the size of the company's assets. This information is useful for management in managing the company and investors in investing. The results of this study are in accordance with research conducted by Suryani and Agustina (2018) that together firm size, firm age, leverage, and profitability have a significant effect on earnings management.

Coefficient of Determination Test

The value of the coefficient of determination in this study used the Adjusted R^2 value because it has advantages compared to the R^2. The value of R^2 will increase every time there is an additional independent variable has no effect on dependent variable, so it is necessary to make adjustment to the value of R Square. According to Santoso (2021) that for regression with more than two independent variables, Adjusted R^2 is used as the coefficient of determination. Table 7 presents the results of the determination coefficient test:

Table 7. Coefficient of Determination Test

Predictors	R Square	Adjusted R Square
(Constant) Profitability, Leverage, Firm Size	0.058	0.049

The results show the magnitude of the coefficient of determination (Adjusted R^2) = 0.049, meaning that the independent variables jointly affect the dependent variable by 4.9%, the remaining 95.1% is influenced by other variables not included in the research model.

Significance Test with F Statistical Test

The F statistical test is used to determine whether all independent variables included in the regression model have a simultaneous (simultaneous) effect on the dependent variable (Ghazali, 2011).

Table 8. F Statistical Test

Model	F	Sig.
Regression	6.855	0.000

The F statistical test for the independent variable resulted in a significance value of 0.000 which was smaller than 0.005 (0.00<0.05). As a result, it is reasonable to conclude that profitability, leverage, and company size have an effect on Earnings Management.

CONCLUSIONS AND SUGGESTIONS

Conclusion

This study used multiple regression analysis to prove the hypothesis. Based the result, the conclusions obtained are as follows:

Profitability has a significant effect on Earnings Management in manufacturing companies on the IDX in 2016-2018. This is indicated by a significance value of 0.043 which is smaller than the set significance level (0.043<0.05). Companies with low profitability tend to increase profits with the aim of attracting and retaining investors to keep investing in the company.

Leverage has a significant effect on Earnings Management in manufacturing companies on the IDX in 2016-2018. This is indicated by a significance value of 0.043 which is smaller than the set significance level (0.007<0.05). Companies with a high level of leverage will motivate managers to perform earnings management. Managers can do various technique such as reducing the amount of debt, increasing asset value, or increasing income so that profits become stable and reduce the risk of decreasing investor confidence in the company's capabilities.

Firm size has a significant effect on Earnings Management in manufacturing companies on the IDX in 2016-2018. This is indicated by a significance value of 0.043 which is smaller than the set significance level (0.031<0.05). Companies with small sizes are more motivated to carry out earnings management by presenting high profits to show that their performance is good to maintain company performance for investors to keep investing.

Profitability, Leverage, and Firm Size has a significant effect on Earnings Management. The value of F count is 6,855 is greater than F table which is 2,631. Then, the significance value is 0.000. Its smaller than 0,005.

Suggestion

Based on the results of the study, the further research should extend the research period with the aim that the more research samples, the data used can represent the condition of the company that is more representative. In addition, before doing the research it is recommended to ensure of completeness data used so that researchers do not encounter obstacles when conducting research.

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